VALUATION

Of the Properties of
The Cleveland Electric Railway Company
and
The Forest City Railway Company
by
Hon. R. W. Tayler, Arbitrator.

Value of the property of The Cleveland Electric Railway Company on January 1, 1908, and of The Forest City Railway Company on March 25, 1908, as fixed and determined by Hon. R. W. Tayler, Arbitrator.

Schedule.	Cleveland Electric.	Forest City.	Total.
A—Track	$ 4,839,326.62	$ 520,627.87	$ 5,359,954.49
B—Pavement	2,052,233.37	147,397.38	2,199,630.75
C—Cars	3,202,628.59	538,984.11	3,741,612.70
D—Land	1,379,089.60	18,429.24	1,397,518.84
E—Buildings	1,024,752.13	39,937.37	1,064,689.50
F—Overhead construction...	1,225,293.68	175,297.44	1,516,572.27
G—Return circuit	115,981.15		
H—Power-sta's ..	2,695,019.21	196,198.31	2,891,217.52
I—Storage-bat'ries	352,363.29	71,229.63	423,592.92
J—Shop tools....	73,087.44	47,148.25	120,235.69
K—Stores	363,944.62	.....	363,944.62
L—Misc. rol. stk.	188,136.41	6,091.16	194,227.57
M—Other items..	.....	44,259.24	44,259.24
Total.....	$17,511,856.11	$1,805,600.00	$19,317,456.11
Franchises	3,615,843.89	.....	3,615,843.89
Total.....	$21,127,700.00	$1,805,600.00	$22,933,300.00

Capital Value of The Cleveland Railway Company, as fixed in Section 16 of Ordinance No. 16238-A, passed by the Council of the City of Cleveland December 18, 1909.

The value of the property of The Cleveland Electric Railway Company is agreed to be..	$21,127,149.53
Agreed addition, to equalize stock value.....	550.47
Total value of Cleve. Elec. property....	$21,127,700.00
To which must be added, as the value of The Forest City property	1,805,600.00
Total value of property.....	$22,933,300.00
And there is added, for interest accrued, but used to equalize stock value and not to be paid, said interest being the equivalent of 9 per cent. upon $12,870,000 for the period ending January 1, 1910.....	1,158,300.00
Total	$24,091,600.00

From this aggregate is deducted:

1. Bonded indebtedness.....	$8,128,000	
2. Floating indebtedness as of January 1, 1908	1,288,000	
The total of these sums is.....		$ 9,416,000.00

Leaving "for residue of capital value," i. e., for capital stock $14,675,600.00

Joint letter of City Council and Company, submitting differences to Judge Tayler, as final arbitrator.

October 1, 1909.

Hon. R. W. Tayler,
Cleveland, Ohio.

Dear Sir:—

The City Administration, the City Council and The Cleveland Railway Company unite in inviting you to value the property of The Cleveland Railway Company as of January 1st, 1908, except that portion acquired from The Forest City Railway Company, which is to be valued as of March 25th, 1908, and, also, having reached a conclusion as to the value of the property, to fix the maximum rate of fare which may be charged by The Cleveland Railway Company within the term of the proposed so-called Tayler-plan grant.

If you decide to accept this public trust, the City Administration, the City Council and The Cleveland Railway Company will, as promptly as possible, unite in submitting to you for your decision any other questions upon which they may be unable to agree, to the end that the ordinance, completed by your arbitration upon these disputed matters, may be submitted to the people at a referendum election at as early a date as practicable.

Respectfully,

THE COMMITTEE OF THE WHOLE OF THE CITY COUNCIL OF CLEVELAND,
By Peter Witt.

THE CLEVELAND RAILWAY COMPANY,
By Horace E. Andrews,
President.

Judge Tayler's Reply.

October 5, 1909.

To The Cleveland Railway Company,
Cleveland, Ohio.

Gentlemen :—

I am pleased to receive your letter of October 4th, in reply to mine of the same date, touching the desire of yourselves and of the Council of the City of Cleveland to have me act as arbitrator in connection with the settlement of your differences as to the proposed street railway ordinance.

I stand ready to serve as suggested at the earliest practicable moment.

Yours truly,

R. W. Tayler.

Judge Tayler's Written Decision.

Cleveland, O., Dec. 17, 1909.

To the Council of the City of Cleveland
and The Cleveland Railway Company,
Cleveland, Ohio.

Gentlemen:—

I make the following report, in reply to your communication of October 5th, submitting to me, as an arbitrator, the decision of certain questions involved in the settlement of the street railway situation in this city; and, also, my report on the question submitted to me by The Municipal Traction Company, The Forest City Railway Company and The Low Fare Railway Company, respecting the obligation arising out of the guarantee of the stock of The Forest City Railway Company and of so much of the stock of The Cleveland Railway Company as was sold through the Municipal Traction Company and by it guaranteed in certain terms:

First: The value of the physical property of The Cleveland Electric Railway Company, as of January 1st, 1908, was $17,511,305.64.

Second: The value of the Company's franchises, as of that date, was $3,615,843.89.

Third: The total value of all the property of The Cleveland Electric Railway Company I find, therefore, to be $21,127,149.53, being something more than a million dollars less than that which was found by the Goff-Johnson appraisal.

Fourth: I allow nothing for good will. A street-railway company which has a monopoly, and especially if it has a franchise value remaining, can have no good-will value.

Fifth: I allow nothing for going value, except in so far as that is the result of the necessary expenditure of money in building the road, acquiring its land, power-houses and equipment, and putting them into successful operation.

The expenditures for these purposes are, and necessarily must be, included in the valuation of the physical property.

Sixth: I offset the values of suburban grants, whatever they may amount to, against the burdens of suburban contracts, to whatever extent they may exist, for the reason that all the territory covered by the Cleveland-Electric lines is one homogeneous community, destined soon to become one municipality, in which a zone system will be intolerable.

Seventh: I am of opinion that there is a moral, and perhaps a legal, obligation on the community in connection with the guarantee by The Municipal Traction Company of stock of The Forest City Railway Company and of stock of The Cleveland Railway Company sold by The Municipal Traction Company. In view of the fact that the settlement recommended by me, should it become operative, will make the stock of The Cleveland Railway Company, in my opinion, intrinsically worth par, I recommend that the obligation created by the guarantee be adjusted by the payment to the persons who originally purchased the same on the faith of the guarantee of an amount equal to seven and one-half per cent of the par value of such guaranteed stock so owned, and that the principle be applied to fractional shares according to the actual amounts paid thereon, such payments to be in full satisfaction of all liability under the guarantee.

I fix the amount at seven and one-half per cent because, prior to October 1st, 1908, all such stockholders had received interest or dividends at the rate of six per cent per annum.

Something less than ten per cent of the guaranteed stock has been sold by the original purchasers. To what extent, if any, these former owners of such stock may be entitled to any reimbursement under the guarantee I am willing to consider hereafter. The amount involved can in no event be a very large sum, as less than ten per cent of all the guaranteed stock has changed hands.

The practical result of the reduction in the value of The Cleveland Railway Company property will be to make

the stock of that Company not having an origin in The Municipal Traction Company's guarantee worth, as of January 1st, 1910, par and one and one-half per cent., being the amount accruing to such stockholders for the quarter ending October 1st, 1908, and thus equalizing for that period those stockholders with the stockholders whose stock came under the guarantee.

As to the guaranteed stock still in the hands of the original purchasers, it will be worth, as of January 1st, 1910, par and seven and one-half per cent.

Eighth: The initial rate of fare should be three cents and one cent for a transfer, without rebate; and the maximum rate should be four cents for a single fare, seven tickets for twenty-five cents, and one cent for a transfer, without rebate.

Ninth: I approve the suggestion that, if consents of abutting property owners are secured, the Company be required to extend its line on Lorain Avenue to the city limits, if no fair arrangement can be made with the interurban company for the use of its tracks.

Yours truly,

R. W. TAYLER.

P. S. Adding to the sum of $21,127,149.53, found as the total value of The Cleveland Electric property, $1,805,600, the value agreed upon of The Forest City property, we have a total of $22,932,749.53 for the combined properties.

R. W. TAYLER.

Judge Tayler's oral announcement of his decision,
December 18, 1909.

United States Circuit Court Room, Saturday, December 18, 1909, 9:30 A. M.

JUDGE TAYLER:

I have been requested by the council of the City of Cleveland and by the Cleveland Railway Company to act as arbitrator and determine the value of the property, as of January 1, 1908, of The Cleveland Railway Company, the proper disposition of what is known as the contract with East Cleveland, the fair and just disposition of the situation arising out of the relations of the railway company with the interurban lines which operate on Lorain Avenue between the present city limits and the former city limits, to determine what the maximum rate of fare in the proposed ordinance ought to be, and, at the request of those parties and of the Municipal Traction Company, the Forest City Railway Company and the Low Fare Railway Company, to determine whether or not there is a moral obligation upon the community to make good the guarantee of the Municipal Traction Company to the purchasers of Forest City Railway stock and the purchasers of Cleveland Railway stock after the Municipal Traction Company went into possession as lessee of all of the property, and, if any obligation arises which can be measured in money, that that sum be added to the capital value of the whole property upon which interest is to be paid out of the earnings derived from the operation of the property; and all of these questions I am ready to answer.

I feel as if I ought to say that while the labor and responsibility laid upon me by this inquiry were not pleasant or desired, yet that all of the parties who have participated in the hearings, have, without any important exception at all, aided me and facilitated the prosecution of the inquiry with

an expedition and harmony that were hardly to be expected under all of the surrounding circumstances, and the result is that we come to the present moment without any embarrassments arising out of the absence of those things to which I have just referred.

The Goff-Johnson appraisal gave a value to the Cleveland Electric property of something over twenty-two million dollars, and, by assent or agreement, a value to the Forest City property of one million, eight hundred and five thousand, six hundred dollars, and it has been agreed that the latter value should remain unchanged. There are reasons, which I need not enumerate here, why that conventional agreement should remain.

If the property of the Cleveland Electric Railway Company could be valued by what we might call the historical method, then we would have proceeded to do so, because the Forest City property was valued by that method. Its books were open, and all of the cost of the property and all of the items entering into the valuation, whether property or not entering there, were disclosed and known.

Now, proceeding first to a statement of the general principle upon which the value of the physical property of the Cleveland Electric Railway Company—using that term as distinguishing that part of the property which was not the property of the Forest City Railway Company—I want to say this: That the guiding and controlling principle which, having been laid down, finds easy application to the several items which ought to go into the value of the Cleveland Electric property, is that we should arrive at the just and true value of the investment of the company, as shown by a physical, appraisable and existing property. That would provide for a determination of that value by determining the cost of reproducing the property in existence on the first day of January, 1908, with suitable deductions for depreciation.

The application of this principle excludes consideration of investments whose product has disappeared, even though

they may have been, at the time when made, such as would pass into capital account, and even though they had, when they disappeared, more than scrap value. As illustrating that, we may refer to the transformation from cable to electric traction. Much was contended for a contrary view. That contrary view might have been persuasive if the valuation was being made by a consideration of the historical aspect of the property. That would involve a determination from the books and otherwise of the actual investment from the beginning of the property and the amount of the net returns received from the investment. This might or might not affect substantially the final result, but such a method is neither available now nor prescribed as the method of present procedure.

A large amount of testimony was taken on this question of the physical value of the property, and of course, it has all been listened to carefully and considered as carefully as I could give consideration to it. As to the physical property, I arrive at a determination of its fair value by determining, first, what is what we may call the inventory value of the property; that is to say, a determination of quantities of things which have value, and of the amount of labor expended in putting those physical articles into the condition and position and fitness for use which they possessed; and then, to add to that the cost of those things which are vitally and necessarily present in the completed thing itself. These items of cost are as much a part of the value of the thing which is in position and being operated as the rails or the ties or any other visible physical object upon which the eye rests.

Now referring first to this inventory value, so called, which, for want of any more accurate term, I use in the sense in which I have just defined it, I have come to the conclusion that, while the claim on the one side was that some of these things ought to be valued higher than by the Goff-Johnson appraisal, and a very large amount of testimony and very urgent arguments were presented to the effect that

the value ought to be less, I am constrained to come to the conclusion that in the midst of all this speculation and variety, not variety alone between the contending parties but variety on one side of the same thing viewed at different times, the safest and justest basis to determine the whole physical value is to be found by taking the inventory of the Goff-Johnson appraisal.

Now, I do not do that lightly or without real consideration of the testimony that was here given. When the Goff-Johnson appraisal was being made, those who, on the part of the city, were engaged in that work, had resting upon them a public obligation to lay no larger burden on the community than rightfully ought to be laid upon it, because, in its essence, the burden under the plan proposed in April, 1908, was precisely of the same character as that which is to be laid upon the public under the ordinance now in contemplation. Besides that, and affecting that, at the time when the Goff-Johnson appraisement was made, there was resting upon those who represented the city a real burden involved in the fact that they were going to assume the responsibility of operating the property on a 3-cent rate of fare, and, therefore, there was every kind of a personal influence in their breasts to make the valuation as low as it fairly might be, because they were responsible to the community, not only to perform their duty in getting as low a valuation as was proper, but they were responsible because they had arranged for 3-cent fare on all of the lines, and thus their own personal attitude and relation to the community were involved.

Now, another reason why I take that, a reason which affects the persuasiveness of the arguments that are made and of the testimony that was produced: This physical property was given a value, independent of overhead charges, of fourteen million and three hundred and some thousand dollars. An overhead charge of about five per cent was allowed on top of that. It is that $14,333,000 appraisal or inventory value to which I am now addressing myself. That valuation which was then made, about the time when the valuation was

to date, was again revised, at the request of the council, in May, 1909, and it was found to be several million dollars less, on the part of those who represented the council, than it was a year before. Of course, we are speaking of exactly the same thing. It was not that it had depreciated, except in the speculations of the parties. It was the same, to-wit, the value of the property on the first day of January, 1908. That same value had shrunk, according to the revised estimate, several million dollars, and now, upon this inquiry, it has shrunk several million dollars more, with the inevitable conclusion that we don't know when it might all disappear if we get far enough away from the date when the inquiry ought to have been made.

Now, I do not question the good faith of the figures at all, but only that one set of figures is not very much more conclusive than another set of figures. I mean that the state of mind and the way in which the subject is approached affect the result of our determinations, especially when they are based upon an original hypothesis which, if it is right, will inevitably lead to a true conclusion, and, if it is wrong, will continue to exaggerate and emphasize the original error the farther you carry it on, and the more hypotheses you rest upon the original hypothesis.

The total value, and this includes the other items—and it was to an extent the result of a compromise, but even admitting all of the allowance made for the compromise, the differences are extraordinary—of the Cleveland Electric property, as allowed for in 1908 by the Goff-Johnson appraisal, was $22,184,000. It is now insisted that the same property, at the same time, under precisely the same conditions, is worth $10,000,000 less than it was found at that time to be worth. Now, I cannot believe that that difference can arise out of anything except mistaken assumptions of certain unit values or certain other controlling facts which, when carried out to their mathematical consequences, produce widely different results. I might multiply reasons for assuming the fairness of that inventory of April, 1908.

Now, what other items of cost have gone into that property—this particular property which we are now valuing—other than the inventory value? Under the Goff-Johnson appraisal, five per cent was allowed. That was not agreed to by the Cleveland Electric side of the controversy, but that entered into it. Then there was an allowance of $2,717,000 made for what was called good will, but which Mr. Johnson said might be taken, if Mr. Goff desired to do so, for overhead charges and other disputed items, and, of course, it was not intended to solemnly assert that the good will of the property was $2,717,000.

A large amount of testimony was taken on the subject of overhead charges. Overhead charges, as I have used that term and applied it to this situation, means only those things for which money has been spent in the necessary work of constructing the property and putting it into operation. By putting it into operation I do not mean, in any substantial sense, that after the property is once started off there is any significant sum to be allowed, for I do not imagine that there is very much allowance to be made for that in respect to a property of this character; but all I want to emphasize is that every dollar of overhead charge which is allowed for by me is a dollar that is necessarily spent in the production of the physical property. Now, those overhead charges, as I have simply classified them—I have not gone into the complicated classification that some of the experts have made, or that which is contended for by the Cleveland Railway Company, but I have divided overhead charges into two general classes—those which apply to the specific things, and those which apply to the enterprise as a whole. The specific things which are done vary in the amount of overhead charges necessary in order to complete the work; that is to say, the contingencies and uncertainties and accidents are larger, for instance, in track-laying than they would be in the purchase or construction of cars, or other things of that character.

So that I have allowed, as specific overhead charge applicable to track, ten per cent; to pavement, three per cent; to

cars, land, buildings, overhead construction, return circuit, power-stations, storage batteries, miscellaneous rolling stock and equipment, 5 per cent; and to the other items, nothing specific as applied to them, as, for instance, shop stores, auditor's stores and bookkeeping credits. The result of those is to make the total value up to that point $15,175,565.28.

Now we come to the subject of the general overhead charge which is applicable to the whole investment and cannot be separated or divided among the several items. Some of them, if you took a separate item and undertook to apply the general overhead charge, might not have an application peculiar to that particular item; but I have undertaken, as best I can, to arrive at a fair statement of what is the general overhead charge in the construction of a property of this magnitude. For financing, engineering, legal expenses, organization, administration, superintendence, interest during construction, delays not covered by the specific allowances, consents, litigation with property owners, incidentals and contingencies not applicable to specific items, fifteen per cent, making the total actual physical value $17,510,305.62.

I have allowed the pavement item, because it comes within the general rule which I have stated. The argument for its elimination rests upon technical grounds purely, and I think can have no proper place in such a valuation as we are now seeking to make. It represents actual money expended. It represents absolute addition to capital value. It belongs to capital account, and in its depreciated form is worth all of the allowance that I have given to it.

In a word, and on the whole, if I have any conviction at all, derived from this vast mass of very informing testimony, that satisfies me, it is that the physical property of the Cleveland Electric Railway Company, as it was on the first day of January, 1908, could not have been reproduced, in its then condition, for less than $17,500,000.

I allow nothing for going value. Going value raises a question of definition, and it is sufficiently disposed of, accord-

ing to my view, by saying that it only has a value, as applied to a street railroad enterprise, because of the expense incident to organization, superintendence, administration, legal expenses and interest during construction; it is involved in the general subject of necessary overhead charge, and arises only out of, and is to be defined and limited entirely by, the money necessarily expended to put it into a shape in which it has value as an operating instrumentality. Beyond that, I recognize no value to going value or no such thing as going value to be applied to a street railroad enterprise.

Nor do I find anything properly allowable for good will, as that term is generally defined. A street railway company which has a monopoly, and especially if it has a franchise value remaining, can have no good will value.

Now, we had a large amount of testimony on the subject of franchise value; that is to say, the amount which the property could earn under the franchises with which it had been endowed by the municipality over and above six per cent or 5¾ per cent return on all of the physical value of the property, 5¾ per cent having been assumed to be a fair average between the six per cent that might be paid on stock and the lesser per cent paid on other forms of indebtedness.

The city fixed the franchise value of the inlying grants at a little less than three million dollars, and the railway company fixed the value of those inlying grants at something over four million dollars. I have had the advantage of a large number of computations and a great deal of very discriminating labor on both sides of the subject. I have myself computed as well as I could these inlying franchise values by taking the lines separately and all together, by using the car-mile basis of operation, allowances for growth and for competition; I have had the receivers' actual results; and I find the franchise value of the property to be $3,615,843.89; making the total value of the property on those two items $21,127,149.53.

It was contended on the part of the city that some, if not all, of the outside franchises had no franchise value at all.

but imposed a burden, and, on the other side, that they had a real value and that the company was entitled to compensation for them. Now, dealing with this question broadly, and, as it seems to me, justly, I think that, excepting the Euclid Creek franchise, which has no complications, the franchise value of suburban grants, whatever it may amount to, ought to be offset against the burdens of suburban contracts, to whatever extent they may exist, for the reason that all the territory covered by the Cleveland Electric lines is one homogenous community, destined soon to become one municipality in which a zone system will be intolerable. And I do it because the evidence bearing upon the question of burdens and the evidence bearing upon the question of values is wholly without persuasiveness to me. There are cases where an assumption can be made that will lead you to a result that is despairingly misleading. All you have to do is to assume something and then you can prove anything that you want to prove. But who can say what will happen in all of these outlying communities, and who can say what are the moral rights of the whole situation growing out of the fact that we have one community here? Who can say how much they may grow, or what arrangements can be made between the outlying grants and the inlying grants? Whenever we undertake to figure out a specific and concrete result in figures, we are involved in a quagmire of speculation and uncertainty that is obnoxious to every mind that seeks to base a conclusion upon some facts that have a certain tendency and lead to a certain result.

In the Goff-Johnson inquiry, Mr. Johnson said that he had perfect faith that the outside franchises could be operated so that they would not lose. I think that that is so. I would rather take his general judgment of that in that way and under those circumstances than a judgment that is arrived at by a maze of figures which somewhere in them may have secreted a half dozen mere hypotheses resting on the imagination of the person who makes them.

Now, as I have already indicated before in this hearing, in my opinion the initial rate of fare should be three cents and one cent for a transfer, without rebate, and the maximum rate should be four cents for a single fare, seven tickets for twenty-five cents, and one cent for a transfer, without rebate.

I approve the suggestion, and, indeed, I can see no other solution of it, if consents of abutting property owners are secured, that the company be required to extend its line on Lorain Avenue to the city limits if no fair arrangement can be made with the interurban company for the use of its tracks.

Now I have come to a question that has given me more difficulty. I do not mean that I have expended anything like the time on it that I have on these other questions that involve so much minute examination, but intellectually it has been a more difficult question to answer. But I have arrived at a conclusion that now is entirely satisfactory to me. That is the question of whether or not we can discover a moral obligation, which the community ought to recognize and carry out, to make good the guarantee which was made by The Municipal Traction Company to the purchasers of Forest City Railway Company stock and, later, Cleveland Railway Company stock.

The first thing that is necessary, before approaching the consideration of that question, is to detach one's self from the personal equation involved in that particular inquiry. A great deal has been said in the community, one way and another, as to the propriety of this guarantee, and of the free stock exchange maintained by the Municipal Traction Company; and some criticisms that have been made of that are not without my approval. I cannot think that it was quite a business-like proposition to make, under all the surrounding circumstances, because the situation was speculative and not secure. But, after all, what was the situation when we get rid of the personal equation? The Forest City Railway Company had certain franchises and property, and it made a lease to The Municipal Traction Company; and in April, 1908, it acquired

a franchise for the Woodland Avenue and West Side lines, which gave to the Forest City Company something which it never had before—a valuable franchise, having a real franchise value at a 3-cent rate of fare. That is to say, the line is so relatively short, and runs through so congested a territory that it is a profitable line at 3-cent fare. It has had a considerable franchise-earning value during the operation by the receivers at three cents and two cents for a transfer; that is, it has earned more than the cost of operation and six per cent during the receivership, at the low rate of fare.

Now, the franchise value arising out of that operation was partly assignable to the Cleveland Railway Company; because the Forest City Company, which would otherwise have had the franchise, would have had to make some arrangements to get the tracks, and power, and all of that; so that, while we can only speculate as to any division of it, and I do not intend to make any division of it, I will only observe generally that there was a real franchise earning, and is today, on the Woodland Avenue and West Side lines. Considering it in the light that we have, when we are, on the first day of January, 1908, contemplating the situation and looking forward, we discover an earning power over and above cost of operation and six per cent interest, which, in some way, would, with the conditions that we now have, be divided between the Cleveland Railway Company and the Forest City Railway Company. I am only saying that the Forest City Company had that valuable thing when this lease was made to the Municipal Traction Company.

Now, I can touch, without offence to myself—or anybody else for that matter, I suppose—on the so-called gentleman's agreement. There is no doubt about an understanding between the Forest City and the Municipal people, on the one hand, and the Cleveland Electric people on the other hand, that if the negotiations which they were conducting during the month of April and sought to complete on the 27th of April should, for any cause, fail to become fully effective,

the parties should be restored to the condition in which they were before the negotiations had been entered upon. Now, when the time came when there was any desire to restore the conditions, the great body of the Forest City stockholders, all but a handful, had permitted themselves to be merged into the stockholding element of the Cleveland Railway Company. They were inseparably associated, and you could no more separate those stockholders as a matter of law than you could divide a human being by cutting down through the middle from head to foot and saying that you had two men or two halves of a man left. They were integrally associated, and you could not separate them. Besides that, other complications arose—not as manifestly conclusive as that, but real; for instance, that the property of the Forest City Railway Company had come under the mortgages of the Cleveland Electric Railway Company, under well understood so-called after-acquired-property clauses, whose efficiency to accomplish the purpose described has been thoroughly established, although there might be some question arising in this particular case. But the arrangement between the parties, to the carrying out of which there were insuperable legal obstructions, did exist, and the Cleveland Electric Railway Company could not turn back that property, because of this merging of the stockholders of the two companies together into one.

Now, we are in this position, where we contemplate that fact and recognize the legal obstructions to carrying out the arrangements under the conditions which then existed, and we have this fact, that the property rights which the Forest City Company owned at the time the lease was made were, as compared with what it had before, large and real, and productive of an income which would easily have protected the Municipal Traction Company in its guarantee that it would redeem the stock, or buy the stock, and pay six per cent on the amount of it less the dividends that had been declared. Now, there is no escaping that situation, or that fact. Whatever might have been the difficulties during the greater part of the period when those guarantees were issued, however th

facts may have justified the hope that six per cent could be earned on the stock of the Forest City Railway Company prior to that time, the reception of the Woodland Avenue and West Side grant in April, before this lease was made, put beyond any controversy, we see now, the fact that the Municipal Traction Company could easily, having the lease of the Woodland Avenue and West Side lines, in whatever form it might have come, have fulfilled the guarantee which it made to these stockholders.

Now, the vast majority of all these stockholders were wholly innocent of any sort of conduct which might subject them to criticism, whatever might be said of anybody else in that relation. The vast majority of them, as I say, were just ordinary, everyday people, who invested their money on the faith of the guarantee.

Now, we could not put our hands into somebody else's pocket, and pay for an unwarranted or incautious guarantee. But the community has profited, the community has received the benefit, and the money is in the property, or in the receiver's hands, which is the same thing. The community has had the benefit that justified the laying upon it of such burden as rightfully should be laid on account of this guarantee.

Now, that is the conclusion that I have come to, after a good deal of tribulation on the subject, and it has clarified itself to me the more the longer I have thought of it, and it approves itself to me in spite of all the disturbing circumstances that affect the judgment of men when they pass upon a question of this sort that has permeated the whole community and affected every man and woman in it, almost, with varying result of opinion. Notwithstanding all of that, I have so separated myself from any position where I might have a prejudice as to have the profound conviction on the subject that some provision ought to be made for taking care of that guarantee, and for the amount of it passing into the capital value of the company.

Now, gentlemen, to get the substantial result of all that I have said, it is this: That the deduction which I have

made in the value of the Cleveland Electric property, amounting to something over a million dollars, is practically offset by the dividends which otherwise would have been paid to it for the first quarter of 1908 and the five quarters since October 1, 1908, so that they will have contributed by so much—something over a million dollars in the way of dividends that the property has earned—to reimburse the capital account covered by their stock as of the first day of January, 1910. So that, assuming, as I do assume and believe, that the stock, on the first day of January, intrinsically will be worth par, the Cleveland Railway Company stock, not having its origin in the Municipal Traction Company guarantee, will be worth par and 1½ per cent, being a sum which would give them 1½ per cent to equalize them with the stockholders who came under the guarantee and who were paid 1½ per cent on the first day of October, 1908. These allowances, of course, do not attach as dividends, and are not to be treated as dividends, but only as a sum to be paid to the several persons who are entitled to it. And the practical manner in which I have disposed of the guarantee matter is this: This guarantee was made to individuals who purchased the stock, and I doubt its application to successors in title to the persons who bought it. But that is not a very large question, because, I am told, less than ten per cent of the stock has changed hands. In view of the fact that the settlement recommended by me, should it become operative, will make the stock, in my opinion, intrinsically worth par, I recommend that the obligation created by the guarantee be adjusted by the payment, either through The Municipal Traction Company or in some other convenient and suitable way, to the persons who originally purchased the same on the faith of the guarantee, of an amount equal to 7½ per cent of the par value of such guaranteed stock so owned, and that the same principle be applied to the fractional shares, —seven and one-half per cent interest accruing from October 1, 1908, when the last payment was made to those stockholders, up to the first day of January, 1910.

Now, a contention was made as to the rights of parties

who since the receivership have sold their stock at a loss. I am not prepared to say what ought to be done about those. The amount involved is not very large, and that is not an important matter in connection with the ordinance, but I am willing to take up that question and to consider to what extent, if any, these former owners of such stock may be entitled to any reimbursement. I would not want to make a decision, anyhow, upon that at this moment without an examination of the several claims, because it is a moral obligation, and the moral obligation as to any reimbursement for loss incurred in selling might not exist in some cases.

As to the six per cent, of course it applies to all those who still hold the stock and purchased it under the guarantee.

I think I have omitted nothing, have I, gentlemen, that has been submitted to me? I have a formal letter here to the Cleveland Railway Company and to the City, which I will formally present.

MR. BAKER:

The question has just been asked me by Mr. Johnson, and I ask you, so that we can understand it—Is the effect of your finding to require the setting aside of a sum of seven and one-half per cent for the benefit of this class of Forest City stockholders, and, in addition to that, to allow for interest?

JUDGE TAYLER:

No. I say 7½ per cent because—if it be true that 20,000 shares or more of the guaranteed stock is still in the hands of the persons to whom it was originally issued—there is a very simple way of settling with them. You pay them six per cent, of 7½ per cent, which would cover the interest from the first day of October, 1908.

MR. JOHNSON:

The others do not get the interest?

JUDGE TAYLER:

No.

MR. JOHNSON:

Does the balance of the Cleveland Railway Company get interest?

JUDGE TAYLER:

The balance of the Cleveland Railway stock get 1½ per cent for the quarter between the first of July and the first of October, 1908.

MR. JOHNSON:

They do not get anything else after that?

JUDGE TAYLER:

No; not until after January 1, 1910. That is to say, that, of course, is a mere artificial balance which I have struck: the reduction in the Cleveland Railway property, which I find is approximately the same but is in amount a little more than the amount of six per cent which they are entitled to since the first day of January, 1908, omitting, of course, the second quarter of 1908, when they got a dividend, and the third quarter, which is necessary to equalize them with the Forest City as to that quarter. That is to say, the $193,000, which covers 1½ per cent on the Cleveland Electric part of the Cleveland Railway stock, they are entitled to, of course. The balance of the amount which they do not get exceeds slightly the total amount of the reduction which I make in their value. So that, taking an ideal case, a stockholder who has a share of guaranteed stock has par and is entitled to 7½ per cent; and the others are entitled to par and 1½ per cent.

MR. JOHNSON:

No dividends are payable until after January 1st, on any?

JUDGE TAYLER:

No dividends are payable until after January 1st, and, of course—.

MR. JOHNSON:

Except October last.

JUDGE TAYLER:

I do not call that a dividend, Mr. Johnson; I do not call

any of it a dividend. It is the payment of a gross sum of 7½ per cent to the guaranteed stockholders, and a payment of 1½ per cent to the other stockholders, as intending to cover that quarter when the guaranteed stockholders received their guaranteed amount. It was not really paid as a dividend, but was accompanied with an assignment of any dividend that might be declared. There will be no dividend declared before the first day of April, 1910.

MR. JOHNSON:

Then the first dividend of $193,000 is to go to the Cleveland Electric stockholders as of record April 1, 1908, no subsequent stockholders to participate?

JUDGE TAYLER:

I don't know. I suppose that is where it ought to go.

MR. JOHNSON:

Of course, there is where it has to go, to the Cleveland Electric stockholders of April, 1908. They are entitled to that $193,000.

JUDGE TAYLER:

It would rather be October, 1908.

MR. JOHNSON:

There are two dividends?

JUDGE TAYLER:

They were all paid the dividend for the second quarter.

MR. JOHNSON:

They were not paid the dividend for the first quarter.

JUDGE TAYLER:

I understand that. That is out of the way. The third quarter is the quarter that was not paid.

MR. CRAWFORD:

The first and third.

JUDGE TAYLER:

The first and third.

MR. JOHNSON:

I only want to clear it up. We agreed in a paper which we submitted to you that the original stockholders of the Cleveland Electric were to receive that. Do I understand that is to be cut off?

JUDGE TAYLER:

If there is any understanding, I do not care anything about it. I am only dealing with figures and the general disposition of it, and I might just as well have taken any one quarter as another. They are all the same except the last five, upon which I have computed the interest—or dividend—right upon one million dollars loss. I did not compute the last five quarters on the $12,870,000, but on a little more than one million dollars less, because the value is reduced as of that date.

MR. SQUIRE:

I think Mr. Johnson is right. You take five quarters to equalize. That would leave the Cleveland Railway stockholders entitled to a sum equal to a dividend on the first and third quarter.

JUDGE TAYLER:

No.

MR. JOHNSON:

I think we ought to clear it up right now, because I don't want any dispute about that. We submitted to you a number of agreements as to bookkeeping entries; among them was this one. Now, as I understand it, you make no objection to any of those, and they are to be carried out between the parties, as I understand.

JUDGE TAYLER:

Yes.

MR. JOHNSON:

Now, the Cleveland Electric Railway Company's property was valued January 1, 1908. They were to have a dividend

allowance, which was, for convenience, put into a guarantee fund of $193,000, or 1½ per cent. If any less sum was there, the remaining sum was to be divided between the original Cleveland Electric stockholders. In our agreement, there was a difference of some fourteen or fifteen thousand dollars, but, rather than make a fractional dividend, we agreed that the stockholders of record April 1, 1908, were to have this dividend of $193,000, as being the interest that they would receive on their property for the first quarter. They received the next quarter. We are providing for the payment of the third quarter, and I do not understand you to make any ruling against that.

JUDGE TAYLER:

The point is right here: That I find a value of this property of something over one million dollars less than the Goff-Johnson appraisal, and that is approximately nine per cent, the dividends for six quarters, and I do not want to change the capital value as of January 1, 1910, because that would produce great inconvenience.

MR. SQUIRE:

That is six quarters, and they are only entitled to one.

JUDGE TAYLER:

Yes, they are only entitled to one. I do not care how that comes about, or how you arrange that.

MR. JOHNSON:

Of course, if it is one, it must be October. January to January is five, and this April would make six.

JUDGE TAYLER:

Because of the suggestion made here, in which, of course, I had no special interest, that we make some particular provisions to give to the Cleveland-Electric stockholders of the Cleveland Railway Company the same return for the quarter ending October 1, 1908, as the guaranteed stockholders had received for the same quarter, I arbitrarily selected

that as the quarter, since that was about the amount that would be left after disposing of the deficiency in the value, and I took it for that quarter.

MR. JOHNSON:

Then it does not supersede our agreement, and I wanted to get it clear, but the payment in lieu of dividends on October 1 is to go to all those who did not receive it. Some checks were held up.

JUDGE TAYLER:

Yes. Of course, that is a practical detail. It goes to all of those who did not receive it, of course.

MR. JOHNSON:

The balance of our agreement stands?

JUDGE TAYLER:

Yes, that is right. Is there any further inquiry?

MR. JOHNSON:

When are we going to take up the question of those who sold the stock? You say there is one remaining question to be disposed of.

JUDGE TAYLER:

That hasn't anything to do with the ordinance. The ordinance will provide that such indebtedness as I find equitable growing out of the guarantee shall pass into the capital value. I have disposed of almost the entire sum, and there cannot be very much left.

MR. JOHNSON:

Is that provided for in the ordinance now?

JUDGE TAYLER:

Not now, but it is to be. Mr. Baker, I understand, is to prepare that. The frame of the ordinance, to take care of this finding on the moral obligation, should be that the amount that is found as growing out of that should be—

MR. JOHNSON:

I just wanted to make one suggestion. I don't understand there is any contest on that.

JUDGE TAYLER:

I don't know. You may be able to agree on the disposition of that. Now, there are some separate items in a paper Mr. Baker left with me yesterday or the day before. It seems there are a number of claims. They will have to stand, like all other claims that are made against the property which are to be found as debts, and I will dispose of them as soon as I can.

MR. JOHNSON:

That was included in the balance of the agreement.

JUDGE TAYLER:

You may be able to agree between you as to what that ought to be.

MR. JOHNSON:

We have agreed.

JUDGE TAYLER:

You make it up in a statement.

MR. JOHNSON:

The statements furnished to you have been agreed to by both sides.

JUDGE TAYLER:

I do not want to add those figures up.

MR. JOHNSON:

We don't want to ask you to add them up. We will furnish you with the addition. I thought we might agree about this, if Mr. Crawford has no objection.

Correspondence between Judge Tayler and the Cleveland Railway Company in regard to distribution of valuation among the several schedules of property.

MEMORANDUM.

On or about April 9th, 1910, the Secretary of The Cleveland Railway Company submitted to Judge Tayler the following table, and pointed out to him a difference of $1,000.02 between the total value of the physical property of The Cleveland Electric Railway Company as stated in the Judge's letter of December 17th, 1909, to the City Council and The Cleveland Railway Company, viz.: $17,511,305.64, and the value as announced by him in his oral decision, viz.: $17,510,305.62, the latter amount being the same as shown in the table referred to, which was made up by adding to schedule A of the Goff-Johnson valuation 10 per cent, to schedule B 3 per cent. and to the other schedules (except J and K) 5 per cent, the percentages allowed by Judge Tayler as specific overhead charges:

SCHEDULE	THE CLEVELAND ELECTRIC RAILWAY COMPANY Goff-Johnson Valuation	Judge Tayler's Additions %	Judge Tayler's Additions Amount	Judge Tayler's Valuation	F. C. RY CO. Judge Tayler's Valuation	C. E. and F. C. Ry. Cos. Judge Tayler's Total Valuation
A—Track	$ 3,800,000.00	10	$ 380,000.00	$ 4,180,000.00	$ 440,555.14	$ 4,620,555.14
B—Pavement	1,721,000.00	3	51,630.00	1,772,630.00	124,727.62	1,897,357.62
C—Cars	2,634,563.23	5	131,728.16	2,766,291.39	456,088.17	3,222,379.56
D—Land	1,134,473.96	5	56,723.70	1,191,197.66	15,594.82	1,206,792.48
E—Buildings	842,987.00	5	42,149.35	885,136.35	33,794.99	918,931.34
F—Overhead line	1,007,957.55	5	50,397.88	1,058,355.43	148,336.64	1,306,871.54
G—Return circuit	95,409.02	5	4,770.45	100,179.47	.....	.....
H—Power-houses	2,216,990.93	5	110,849.54	2,327,840.47	166,022.94	1,493,863.41
I—Storage-batteries	289,862.94	5	14,493.15	304,356.09	60,274.49	364,630.58
J-K—Stores, shop tools, etc.	427,074.37	...	.....	427,074.37	39,896.84	466,971.21
L—Misc. Equipment	154,765.76	5	7,738.29	162,504.05	5,154.34	167,658.39
M—	.....	...	.....	.....	44,259.24	44,259.24
Total	$14,325,084.76		$ 850,480.52	$15,175,565.28	$1,534,705.23	$16,710,270.51
N—Overhead charges	709,530.00		1,625,210.34	2,334,740.34	71,114.77 199,780.00	2,605,635.11
Total	$15,034,614.76		$2,475,690.86	$17,510,305.62	$1,805,600.00	$19,315,905.62
Franchises, etc.	8,954,985.24		.....	3,615,843.89	.....	3,615,843.89
Total	$23,989,600.00		.....	$21,126,149.51	$1,805,600.00	$22,931,749.51
Judge Tayler's total (see page 2755 of Arbitration Report)				21,127,149.53	1,805,600.00	22,932,749.53
Add "to equalize stock value" i. e., to make capital stock $14,675,600 (see Section 16c of Ordinance 16238-A						550.47
Total						$22,933,300.00

After an examination of this table and of his notes and memoranda, Judge Tayler wrote:

April 11, 1910.

H. J. Davies, Esq.,
Cleveland, Ohio.

Dear Sir:—The first footing which I made of the various items of physical value of The Cleveland Electric property was as it appears in your tabulation, $15,175,565.28, to which was added the general overhead charge and another item unimportant in this connection, making a grand total of $17,510,305.62, which is the same as yours. On my lead-pencil memorandum which I used in delivering my opinion and in preparing the formal communication to the council, that total is changed by putting "1" over the "0" in front of the "3" and changing the "2" in "62" to "4". I am unable to find an explanation for this change. Doubtless there is one, but I do not discover it.

However that may be, and that is why it was relatively unimportant, my total value was arbitrarily forced to balance so as to make the diminution in the value of the Cleveland Electric property equal the amount of dividends which the Cleveland Electric stockholders were entitled to during six quarters. Doubtless it is in that way that you add, as you do, on the last column, $550.47, in order to equalize the stock value, that is, to make the capital stock $14,675,600. It certainly makes no practical difference in the result.

If you have no objection, I will keep the copy of the tabulated statement which you handed to me.

Yours truly,

R. W. TAYLER.

April 16, 1910.

Hon. R. W. Tayler,
United States Circuit Court,
City.

Dear Sir:—I thank you for your favor of the 11th inst., in regard to the valuation of the Cleveland Electric property.

In your oral announcement of your conclusions as arbitrator, you stated the value of the Cleveland Electric Railway Company property listed in schedules A, B, C, D, E, F, G, H, I, J, K and L of the Goff-Johnson appraisal, including certain specific overhead charges, but exclusive of any general overhead charge, as $15,175,565.28; and as to the general overhead charge you said (page 2753 of Mr. Kruse's report), "I have undertaken, as best I can, to arrive at a fair statement of what is the general overhead charge in the construction of a property of this magnitude: For financing, engineering, legal expenses, organization, administration, superintendence, interest during construction, delays not covered by the specific allowances, consents, litigation with property owners, incidentals and contingencies not applicable to specific items, fifteen per cent. making the total actual physical value $17,510,305.62."

The difference between $17,510,305.62 and $15,175,565.28 is $2,334,740.34, which is a fraction more than 15 per cent of $15,176,565.28. I have been unable in any way to bring your valuation figures to a sum of which $2,334,740.34 is exactly 15 per cent, and therefore assume that you meant to add this sum, rather than exactly 15 per cent, to the $15,-175,565.28 as a general overhead charge.

If we add to the.....$2,334,740.34
the relatively unimportant error, or change, of.. 1,000.02
and the amount that was added in the ordinance
"to equalize stock value" 550.47

we get a total of.....$2,335,290.83
which should be distributed among the several schedules of physical property. This sum is 15.4 per cent of your valuation of the Cleveland Electric property.

I have added to the Forest City schedules, in like manner, as a general overhead charge, the otherwise unaccountable items of $71,114.77 and $199,780.00, near the foot of the column of itemized Forest City values, the two items being 18.18 per cent of $1,490,445.99, the appraised value exclusive of them, and exclusive, of course, of Schedule M.

I hand you now a new table, showing in separate columns the value of the Cleveland Electric and Forest City properties in the several schedules, including this general overhead charge, and the total value of the property of the two companies.

Please note that the general overhead charge is added to schedule J and K, as well as to the other schedules. Possibly you did not intend that it should be applied to these. If not, be good enough to let me know and I will make the correction.

The value of the physical property being..$19,317,436.11
and the value of the franchises being..... 3,615,843.89

the total value appears to be.....$22,933,300.00
which is the capital value stated in Section 16 of the franchise ordinance.

If there is no error in these figures, I mean to set the property up on the Company's books in detail as I have shown it on the accompanying table.

Very truly yours,

H. J. DAVIES,
Secretary.

THE CLEVELAND RAILWAY COMPANY

SCHEDULE	Goff-Johnson Valuation	Judge Tayler's Additions %	Judge Tayler's Additions Amount	Total	Overhead Charges	Total
A—Track	$ 3,800,000.00	10	$ 380,000.00	$ 4,180,000.00	$ 643,514.46	$ 4,823,514.46
B—Pavement	1,721,000.00	3	51,630.00	1,772,630.00	272,897.86	2,045,527.86
C—Cars	2,634,563.23	5	131,728.16	2,766,291.39	425,872.86	3,192,164.25
D—Land	1,134,473.96	5	56,723.70	1,191,197.66	183,385.86	1,374,583.52
E—Buildings	842,987.00	5	42,149.35	885,136.35	136,267.48	1,021,403.83
F—Overhead Line	1,007,957.55	5	50,397.88	1,058,355.43	162,934.70	1,221,290.13
G—Return Circuit	95,409.02	5	4,770.45	100,179.47	15,422.71	115,602.18
H—Power-houses	2,216,990.93	5	110,849.54	2,327,840.47	358,372.96	2,686,213.43
I—Storage-batteries	289,862.94	5	14,493.15	304,356.09	46,855.86	351,211.95
J-K—Stores, shop tools	.....	..	.....	.....	.....	.....
etc.	427,074.37	..	.....	427,074.37	65,748.45	492,822.82
L—Misc. Equipment	154,765.76	5	7,738.29	162,504.05	25,017.63	187,521.68
M—	.....		.....	.....	.....	.....
Total	$14,325,084.76		$ 850,480.52	$15,175,565.28	$2,336,290.83	$17,511,856.11
N—Overhead charges	709,530.00		1,626,760.83	2,336,290.83	.....	.....
Total	$15,034,614.76		$2,477,241.35	$17,511,856.11	.....	.....
Franchises	8,954,985.24		.....	3,615,843.89	.....	3,615,843.89
Total	$23,989,600.00		.....	$21,127,700.00	.....	$21,127,700.00

SCHEDULE	THE FOREST CITY RAILWAY COMPANY Goff-Johnson Valuation	Overhead Charges	Total	C. E. Ry. Co. and F. C. Ry. Co. Judge Tayler's Total Valuation
A—Track	$ 440,555.14	$ 80,072.73	$ 520,627.87	$ 5,344,142.33
B—Pavement	124,727.62	22,669.76	147,397.38	2,192,925.24
C—Cars	456,088.17	82,895.94	538,984.11	3,731,148.36
D—Land	15,594.82	2,834.42	18,429.24	1,393,012.76
E—Buildings	33,794.99	6,142.38	39,937.37	1,061,341.20
F—Overhead Line	148,336.64	26,960.80	175,297.44	1,512,189.75
G—Return Circuit	.....	.....	.....	.....
H—Power-houses	166,022.94	30,175.37	196,198.31	2,882,411.74
I—Storage-batteries	60,274.49	10,955.14	71,229.63	422,441.58
J-K—Stores, shop tools, etc.	39,896.84	7,251.41	47,148.25	539,971.07
L—Miscellaneous Equipment	5,154.34	936.82	6,091.16	193,612.84
M—	44,259.24	.....	44,259.24	44,259.24
Total	$1,534,705.23	$270,894.77	$1,805,600.00	$19,317,456.11
N—Overhead charges	71,114.77 199,780.00	.....	.....	.....
Total	$1,805,600.00	.....	$1,805,600.00	.....
Franchises	.....	.....	.....	3,615,843.89
Total	$1,805,600.00	.....	.....	$22,933,300.00

Cleveland, April 21, 1910.

Henry J. Davies, Esq.,
Secretary, The Cleveland Railway Company,
Cleveland, Ohio.

Dear Sir:

I see no other way of establishing a bookkeeping system than that which you suggest.

It is entirely true that a general overhead charge such as I allowed in fixing the valuation of the property cannot justly be distributed by adding the same percentage to all of the items. It is, indeed, hardly separable at all. The fifteen per cent allowed by me applied to the entire inventory cost of the property, and might, if a division was made, differently apply to the different items. At all events, I doubt the propriety of adding the fifteen per cent, for the purpose for which you must deal with the subject, to schedules "J" and "K." The only reason for distributing the overhead charge is to furnish a basis upon which to determine the actual amount of betterments added. Applying that test, it is evident that Stores and Shop Tools ought not to have the overhead separately applied.

I see no way of dealing with the general figures other than that which you have adopted. The general overhead charge which I added was fifteen per cent, but, as I have often said before, I arbitrarily added to or substracted from that, whichever was necessary, in order to equalize the stock value.

Yours truly,

R. W. TAYLER.

April 24, 1910.

Hon. R. W. Tayler,
United States Circuit Court,
City.

Dear Sir:

Your favor of the 21st inst. was duly received.

I agree with you that the overhead charge of 15 per cent should not be added to "stores." There are, however, a few items in the J and K schedule of the Cleveland Electric property to which it should be applied, namely, the items of shop tools and machinery, appraised at $63,129.75.

Let us call "shop tools" schedule J, and "stores" schedule K.

The Forest City schedules do not seem to contain any materials or supplies, schedule K consisting entirely of tools and machinery (see page 332 of the printed schedules). The figures in my table of The Forest City valuations are therefore correct.

Your valuation (excepting 15 per cent for overhead charges) of all Cleveland Electric property was $15,175,565.28
From this amount deduct schedule K, stores.. 363,944.62

and there is left a remainder of.....$14,811,620.66
to which are to be added overhead charges of $2,336,290.83 (15.77%).

Add 15.77% to each of The Cleveland Electric schedules except K, and the following appears as the total valuation by schedules of the two properties:

Schedule.	Cleveland Electric.	Forest City.	Total.
A—Track	$4,839,326.62	$520,627.87	$5,359,954.49
B—Pavement	2,052,233.37	147,397.38	2,199,630.75
C—Cars	3,202,628.59	538,984.11	3,741,612.70
D—Land	1,379,089.60	18,429.24	1,397,518.84
E—Buildings	1,024,752.13	39,937.37	1,064,689.50
F—Overhead Construction	1,224,293.68	(175,297.44	(1,516,572.27
G—Return Circuit.	115,981.15	(	(
H—Power-stations	2,695,019.21	196,198.31	2,891,217.52
I—Storage-batteries	352,363.29	71,229.63	423,592.92
J—Shop tools	73,087.44	47,148.25	120,235.69
K—Stores	363,944.62	.....	363,944.62
L—Misc. Rolling-stock	188,136.41	6,091.16	194,227.57
M—Other items	.....	44,259.24	44,259.24
Total	$17,511,856.11	$1,805,600.00	$19,317,456.11
Franchises	3,615,843.89	.....	3,615,843.89
Total	$21,127,700.00	$1,805,600.00	$22,933,300.00

Very truly yours,

H. J. DAVIES,
Secretary.